

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 03678 251257Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 AGRE-00 /086 W  
-----124550 251323Z /43

R 251128Z OCT 77

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 9736

INFO AMEMBASSY BELGRADE

AMEMBASSY BERLIN

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

LSUDKRP/AMEMBASSY PARIS 2553

AMEMBASSY SOFIA

AMEMBASSY WARSAW

LIMITED OFFICIAL USE BUDAPEST 3678

E.O. 11652: N/A

TAGS: HE, EEWT

SUBJECT: LEVI STRAUSS SIGNS HUNGARIAN CONTRACT

1. (UNCLASSIFIED) THE HUNGARIAN ECONOMIC DAILY  
VILAGGAZDASAG REPORTED OCTOBER 21 THE SIGNING OF AN  
AGREEMENT BETWEEN LEVI STRAUSS AND FOUR HUNGARIAN FIRMS:  
HUNGAROTEX (TEXTILE FTO), THE MAY 1ST CLOTHES FACTORY,  
INTERCOOPERATION, AND PANNONIA (MACHINERY IMPORTING FTO).  
UNDER THE FIVE-YEUC AGREEMENT, THE MAY 1ST FACTORY WILL  
BEGIN PRODUCING BLUE JEANS DURING THE SECOND QUARTER OF  
1978. PRODUCTION WILL BE AT A RATE OF 1-1.5 MILLION  
PAIRS OF TROUSERS PER YEAR, USING MACHINERY AND,  
INITIALLY, FABRIC PURCHASED FROM LEVI STRAUSS. LEVI  
STRAUSS WILL BUY BACK 60 PERCENT OF THE COMPLETED TROUSERS.

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2. (LIMITED OFFICIAL USE) A LEVI STRAUSS REPRESENTA-  
TIVE CONFIRMED THE ABOVE DETAILS TO EMBASSY OFFICERS.  
HE STATED THAT LEVI STRAUSS HAD CHOSEN THIS TYPE OF  
COOPERATION ARRANGEMENT RHATER THAN A JOINT VENTURE  
AGREEMENT TO AVOID ANY CAPITAL INVESTMENT IN HUNGARY.  
HE ALSO STATED THAT HUNGARY'S HARE OF PRODUCTION

COULD BE MARKETED ANYWHERE IN THE WORLD EXCEPT IN THE UNITED STATES.

3. (LIMITED OFFICIAL USE) A HUNGARIAN BUSINESSMAN CONNECTED WITH INTERCOOPERATION TOLD EMBASSY OFFICERS SEVERAL WEEKS AGO THAT THE GOH WAS ANXIOUS TO START PRODUCTION OF QUALITY BLUE JEANS BECAUSE THERE WAS A FLOURISHING BLACK MARKET FOR BLUE JEANS IN HUNGARY. BLACK MARKET PRICES WERE AS HIGH AS \$80 A PAIR; THUS LEGAL JEANS COULD BE SOLD AT A GOOD MARKUP AND STILL UNDERCUT THE BLACK MARKET. THE HUNGARIAN AUTHORITIES PREFERRED TO ATTACK THE BLACK MARKET TRADE THROUGH COMPETITION RATHER THAN REPRESSIVE MEASURES. COMMENT: THIS AGREEMENT WOULD NOT NORMALLY BE VERY ATTRACTIVE TO THE HUNGARIANS BECAUSE OF THE HIGH IMPORT COSTS AND LOW DOMESTIC VALUE ADDED, BUT INTENSE LOCAL DEMAND FOR THE PRODUCT PUT LEVI STRAUSS IN A STRONG BARGAINING POSITION. IT APPEARS TO THE EMBASSY THAT IT WILL BE SEVERAL YEARS BEFORE DOMESTIC SALES AT THE PROJECTED LEVEL WILL MAKE A SIGNIFICANT INROAD ON DEMAND. KAISER

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CLOTHING, CONTRACTS, INDUSTRIAL PLANTS, JOINT VENTURES  
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**Copy:** SINGLE  
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**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Withdrawn Fields:** n/a  
**SAS ID:** 808218  
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**Status:** NATIVE  
**Subject:** LEVI STRAUSS SIGNS HUNGARIAN CONTRACT  
**TAGS:** EEWT, HU, (STRAUSS, LEVI)  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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